

Message Text

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ACTION ARA-14

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SUBJECT: CONCLUSION OF NEGOTIATIONS BY MID-MAY ON A
THREE-YEAR PROGRAM OF FINANCIAL ASSISTANCE FROM THE
INTERNATIONAL MONETARY FUND ANNOUNCED BY FINANCE MINISTER
BELL

REF: A. KINGSTON 0740 B. STATE 008539 C. STATE 308627

1. ACCORDING TO A HEADLINE REPORT IN THE DAILY GLEANER
OF MARCH 15, NEWLY APPOINTED FINANCE MINISTER ERIC BELL
TOLD THE HOUSE OF REPRESENTATIVES ON MARCH 14 THAT
NEGOTIATIONS ON A THREE-YEAR PROGRAM OF FINANCIAL ASSISTANCE
FROM THE INTERNATIONAL MONETARY FUND (IMF) ARE EXPECTED TO
BE CONCLUDED BY MID-MAY.

2. OPENING A TWO-DAY DEBATE ON THE FIRST SUPPLEMENTARY
ESTIMATES FOR 1977/78, MINISTER BELL SAID THAT UNTIL THE
IMF NEGOTIATIONS ARE FINALIZED SHORT-TERM LOANS WILL HAVE
TO BE FOUND "SO THAT WE CAN CARRY ON FROM DAY TO DAY."
HE SAID THAT THE FOREIGN EXCHANGE SITUATION WAS SO CRITICAL
THAT "AT THE END OF FEBRUARY OUR PAYMENT ARREARS WAS SOME
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\$34 MILLION. THE JAMAICAN STAGE OF THE NEGOTIATIONS WILL BE
CONCLUDED BY THE END OF MARCH, AND A DECISION BY THE IMF IS
EXPECTED BY THE MIDDLE OF MAY IN TIME FOR THE PRESENTATION OF
THE 1978/79 BUDGET." AT THAT TIME, HE HOPED TO BE IN A
POSITION TO TELL THE MEANS, "THEY EXPECT TO ADOPT TO PULL
THE COUNTRY OUT OF ITS PRESENT PROBLEMS."

3. MR. BELL SAID THAT NEGOTIATIONS WERE BASED ON THE UNDERSTANDING "THAT WE ARE COMMITTED TO ACHIEVING ECONOMIC GROWTH AND BALANCE OF PAYMENTS EQUILIBRIUM." HE SAID THE NEGOTIATIONS COVERED FISCAL MONETARY, BALANCE OF PAYMENTS AND INCOMES POLICIES TO ENSURE A COMPREHENSIVE AND COHERENT PROGRAM.

4. TO MEET THE IMMEDIATE BALANCE OF PAYMENTS PROBLEM, MR. BELL INDICATED THAT SHORT-TERM MEASURES WILL BE TAKEN TO ENABLE JAMAICA TO CONTINUE IMPORTING ESSENTIAL GOODS AND MAKE OTHER PAYMENTS THAT CANNOT BE DEFERRED. INITIATIVES HAD BEEN TAKEN TO SECURE SHORT-TERM LOANS TOWARD THE END OF MARCH AND THE FIRST HALF OF APRIL "TO TIDE US OVER THE PERIOD UNTIL THE IMF NEGOTIATIONS ARE COMPLETE".

COMMENT: MR. BELL IS ALERTING THE PUBLIC THAT THE GOVERNMENT IS FACING A VERY SERIOUS BALANCE OF PAYMENTS AND FINANCIAL SITUATION; HE UNDERSCORES THE GOJ'S URGENT AND IMMEDIATE NEED FOR SUBSTANTIAL ASSISTANCE TO MEET OBLIGATIONS THAT CANNOT BE DEFERRED UNTIL IMF ASSISTANCE BECOMES AVAILABLE; AND HE IN FACT ACKNOWLEDGES THAT THE COUNTRY IS IN SUCH DESPERATE STRAIGHTS THAT IT MUST COME TO TERMS WITH THE IMF. HE IS OBVIOUSLY LAYING THE GROUNDWORK FOR TOUGH MEASURES THAT ARE LIKELY TO BE POLITICALLY UNPALATABLE, SUCH AS THE SETTING OF TIGHT LIMITS ON WAGE INCREASES, A REDUCTION IN GOVERNMENT EXPENDITURES AND/OR AN INCREASE IN TAXES, AND UNCLASSIFIED

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POSSIBLY, FURTHER DEVALUATION.

THE GOVERNMENT ALREADY HAS PROMISED TO MAKE PUBLIC THE TERMS OF THE AGREEMENT REACHED WITH THE IMF. MR. BELL HAS NOW REITERATED THIS PLEDGE.
IRVING

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